

Sept

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CORPORATION FILE

Walgreens



THE CONSUMER LEADERSHIP COMPANY

1974 ANNUAL REPORT

"When there's a way to serve people better, let's **lead** the way."

—C. R. Walgreen III



CONSUMER LEADERSHIP

Walgreen Pharmacies Introduce Consumer Information Book of Over 10,000 Prescription Prices (1/14/74)

It marks a comprehensive public education step of national scope in the pharmacy field.

...provides prices for both trademark brand and generic pharmaceuticals, each in several of the most-prescribed quantities.

...reinforces public trust in Walgreens at a time when credibility is a possession of great value.

...is accomplished in a responsible, professional manner beneficial to all concerned: To America's Consumers, to Walgreens, and to Pharmacy.

...is praised by customers, consumer groups, legislators, news media—as well as by leading health profession spokesmen.

It is the initial phase of a series of consumer education plans programmed by your company.

Walgreens,

No. 1 Pharmacist to the Nation, now filling over 28 million prescriptions a year.

Walgreen Co.

THE COMPANY in brief:

A diversified retailer and manufacturer, Walgreen Co. operates 668 retail units in 32 states and Puerto Rico; also participates in retailing-manufacturing business in Mexico. Major enterprises are:

RETAILING: 616 Walgreen Drug Stores, the nation's major drug chain; 25 Globe department stores. *see pages 4, 5, 6, 7*

FOOD SERVICE: 339 restaurants—288 in or adjacent to Walgreen stores, 24 in Globe stores, 27 individually located. *see pages 6, 7*

MANUFACTURING: Chicago Laboratory produces over 500 health, pharmaceutical, beauty, household products. New container plant and second laboratory nearing activation. *see pages 8, 9*

AUXILIARY OPERATIONS: Physical distribution centers, ice cream plant, coffee-roasting plant, sign shop, photo-processing studios.

TRAVEL AGENCY: International Travel Service, Chicago/New York, acquired in 1971. *see page 11*

SANBORNS: Walgreen Mexican affiliate... 18 retail stores and restaurants in Mexico City, Acapulco, Puebla, Monterrey... plus manufacturing and wholesaling operations. *see pages 10, 11*

FRANCHISING: Over 1800 independently-owned Walgreen Agency Drug Stores franchised to sell Walgreen Laboratory products. *see page 9*

FINANCIAL INFORMATION *see pages 13 through 21*

GENERAL OFFICES
4300 PETERSON, CHICAGO, ILLINOIS 60646

THE YEAR 1974 in brief:

	1974	1973	%
SALES	\$996,616,262	\$930,898,958	+7.1
EARNINGS before income taxes ⁽¹⁾ ..	11,777,285	24,670,797	-52.3
NET EARNINGS ⁽¹⁾	7,569,285	13,727,797	-44.9

PER SHARE OF COMMON STOCK:

NET EARNINGS ⁽¹⁾		
— assuming no dilution	\$ 1.15	\$ 2.11
— assuming full dilution	1.11	1.95
DIVIDENDS PAID	1.00	1.00
SHAREOWNERS' EQUITY	18.02	17.90

⁽¹⁾In 1974, earnings were reduced by adoption of LIFO accounting, as substantially all inventories were valued on a last-in, first-out (LIFO) basis. See Notes to Consolidated Financial Statements, page 18.

Fiscal Year RETAIL UNIT TOTALS:

At September 30, 1974:	UNITS OPENED 1974	UNITS CLOSED 1974	TOTAL UNITS 1974	OPENINGS SCHEDULED FOR 1975
WALGREEN Drug Stores	56	9	616	32
In-Store RESTAURANTS	24	8	312	17
Separate RESTAURANTS	2	2	27	5
GLOBE Dept. Stores	—	—	25	2

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You Are Cordially
Invited to Attend

**THE ANNUAL MEETING
OF SHAREOWNERS**

...to be held Wednesday, January 8, 1975, 3:00 p.m., at Walgreens General Offices, 4300 Peterson Avenue, Chicago, Illinois.

(Formal notice of the meeting, with proxy card and proxy statement, accompanies this mailing to all shareowners of record at November 29, 1974.)

FOR YOUR INFORMATION

We endeavor always to keep you well informed of your company's progress. This year, we introduce two added sources of information for you:

One, to give you a clear picture of company growth in both stores and restaurants, we are including on this page a chart of *Fiscal Year Retail Unit Totals*.

Two, we will be glad to provide a copy of the *Form 10-K Annual Report* for Walgreen Co., as filed with the Securities and Exchange Commission. Address your request to Walgreen Co., Treasurer, 4300 Peterson, Chicago, Ill., 60646. Kindly enclose \$1.00 for printing and mailing costs.

Your December 12, 1974 Dividend Payment Marks Walgreens **168th Consecutive Quarterly Dividend.**

December 11, 1974

TO OUR SHAREOWNERS:

Your company in fiscal 1974 again established an all-time record high in sales, with a 7.1% increase to \$996,616,262. And this Fall—within a month of fiscal year-end—Walgreen Co. surpassed the *billion dollar* annual sales level.

Our adoption of the LIFO (Last In, First Out) method of valuing inventories, retroactive to the start of fiscal year 1974, reduced net earnings for the year to \$7,569,285, or \$1.15 per share, compared to \$13,727,797, or \$2.11 per share, in 1973.

Our 1974 earnings would have exceeded 1973's record \$2.11 per share, except for our decision to adopt the LIFO accounting method. Please refer to page 18, *Notes to Consolidated Financial Statements* (first paragraph).

An explanation of "LIFO" follows this letter, so I will discuss it only briefly here.

LIFO (the "Last In, First Out" system of inventory valuation) is one of several acceptable accounting methods available to value end-of-year inventories. But it is different from all other inventory valuation methods in that it eliminates substantial amounts of inflationary cost increases from ending inventories. Because of this, LIFO has a substantial downward effect on recorded earnings. However, it provides not less, but more cash for company operation, and its advantages are many.

It has saved our company approximately \$6.7 million in federal and state income taxes that would otherwise have accrued for fiscal year 1974.

The increase in cash flow provides our company with greater internally generated funds for purchase of new inventories at current higher prices, and for capital expansion, thereby reducing the need for costly borrowing. At today's interest rates, it is estimated that the availability of this year's additional operating funds will save more than three million dollars in interest costs over the next five years.

In case of a future deflation trend, LIFO cushions the impact on earnings of that change, as well.

Although LIFO accounting reduces our corporate earnings, it increases the quantity of our cash flow, and thus improves our ability to pay dividends to our shareowners.

While Walgreens becomes the nation's first major drug chain to make this accounting change, we understand that some 70 of the top 100 U.S. corporations have already done so. As retailers, our decision was perhaps more difficult, because inventory valuation is so major an element in our business. After considering all factors, however, we made the decision to change to LIFO, and to do it now.

Overall, we feel that the LIFO adoption is prudent, conservative management in a time when inflation is forecast to prevail over an extended period.

Walgreen Drug Stores: Our major division delivered an improved performance in 1974, and—with a large number of still-maturing newer stores—we are capable of generating substantial growth in 1975.

We added 56 new stores in the year (including the late-year acquisition of 29 Florida drug stores from a subsidiary of Eckerd of Erie, Pa.), while closing 9 stores. Our final drug store count totaled 616, compared to 569 a year earlier. We have 32 more drug stores scheduled for fiscal 1975 openings.

Food Service Division: Our restaurants now number 339, and contribute approximately 8% of corporate sales. 24 more store-connected units (total 312) and 2 free-standing restaurants (total 27) were opened in 1974, while a total of 10 were closed.

The success of our food operations confirms our positive outlook for our restaurant division. We are programmed for selective growth, and 1975 expansion plans call for 22 new units.

Globe Division: Our discount department stores, a 15% factor in corporate sales, felt the more direct impact of the recessionary-inflationary economy. Sales growth slowed, and profits were impeded by rising consumer reluctance to buy higher-ticket general merchandise and by an unacceptable increase in shrinkage.

Globe's market position, however, remains strong, and the outlook is favorable for both the near and

long term. Our 25 units are well-established, and two new Globes are scheduled for fiscal 1975 opening.

Manufacturing Division: Our manufacturing program—now producing over 500 Walgreen products—continues to grow. Backed by a rising tide of consumer favor, 1974 production and sales reached another all-time high, as projected, despite year-long material shortage and cost problems.

This successful division made timely major commitments to growth: This month, a new plastic container plant opens in Chicago; in February, the initial phase of a large new Kalamazoo, Mich., drug and cosmetics manufacturing laboratory begins production.

CURRENT OUTLOOK

According to economic indicators, 1975 may prove a difficult business year. But our outlook remains positive. In addition to the benefits LIFO provides us, we have two specific reasons to look for real progress ahead: One is our recent consolidation program—closing 51 marginal stores in two years, while countering with 94 high-potential openings. The other—our greatest opportunity—is the leverage provided by our relatively low net profit margin; even a small improvement here will register a dramatic earnings advance. We are working at it from many directions, with on-going programs and newly-developed plans. They focus on shrinkage reduction, cost controls, productivity goals—because we intend to reach greater profit levels without diluting our inflation-fighting commitment to America's consumers.

We have set ambitious goals for 1975, aggressive plans for 1975-1980...and current studies tell us our objectives are definitely attainable. We have the momentum, the resources. We have, and we appreciate, the continuing support of our share-owners. We are confident in the ability of our management-employee team to deal with the economic obstacles that challenge American business today.

Sincerely,



President

Some Plain Talk about LIFO Accounting for Non-Accountants

Corporate financial statements were always complex enough. Then along came inflation, and it became even more difficult to interpret the numbers. A particular problem facing retailers has been measuring the effect of protracted inflation on inventory valuation.

The difficulty, under current economic conditions, is that an item acquired from a manufacturer at the beginning of the year for \$1.00, may be re-ordered from the same manufacturer for \$1.11, \$1.20, or even more, before the year ends. When that happens—and it is now the rule rather than the exception—it presents companies with a decision to make.

The first step in calculating a company's profit is to add up its sales for the year and then subtract the estimated cost of the goods it sold. The question facing accountants is "Which price do you use for the cost of an item sold?" Obviously, the lower your cost, the higher your profit margin.

The FIFO approach, which Walgreen Co. used until this year, has been the most popular of all accounting methods, often for exactly that reason. The letters stand for *first in, first out*. Under this accounting system, it is assumed that older goods are sold first—and that year-end inventory is valued at latest acquisition costs.

During an inflationary period, this maximizes reported profits by attributing the widest possible profit margin to sales, since the *oldest* and *lowest* amount paid is used to determine the cost of an item sold. It also places the highest possible valuation on year-end inventory, since the *most recent* and *highest* acquisition cost is used in that calculation.

This all sounds good—and under normal economic circumstances, it *is* good—but during protracted inflation, the same process which *maximizes* reported profits also, ironically, *minimizes* the amount of cash a company actually has for operational purposes. Why? Because the more profits you report, the more income taxes you have to pay, and the less cash you have left.

In other words, as long as the value of an average inventory item stays pretty much the same, FIFO is the better accounting method. But during protracted inflation, the benefits of FIFO diminish because of the excess income taxes you have to pay.

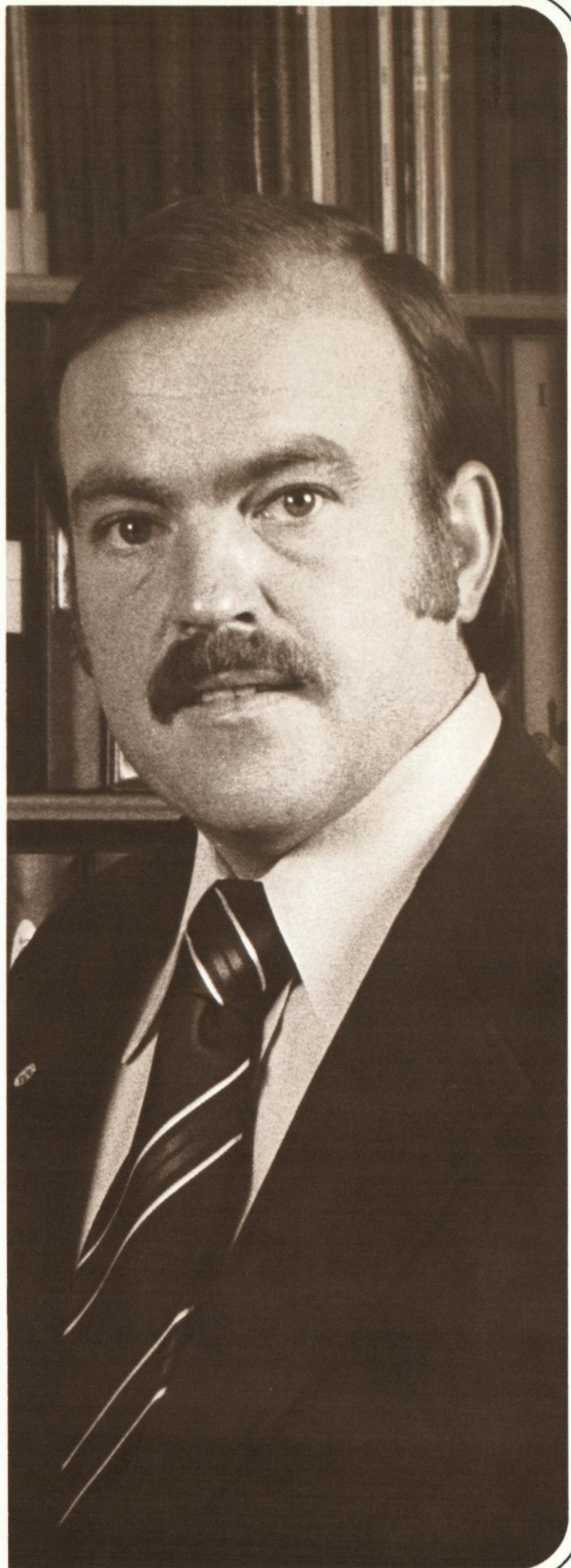
The LIFO approach, which Walgreen Co. has adopted this year, will save the company tax dollars, and thus increase the actual flow of cash available for operations. The initials stand for *last in, first out*. Under this accounting system, it is assumed that more recently acquired, higher-cost goods are sold first—and that year-end inventory is valued at earliest, or lowest, acquisition costs.

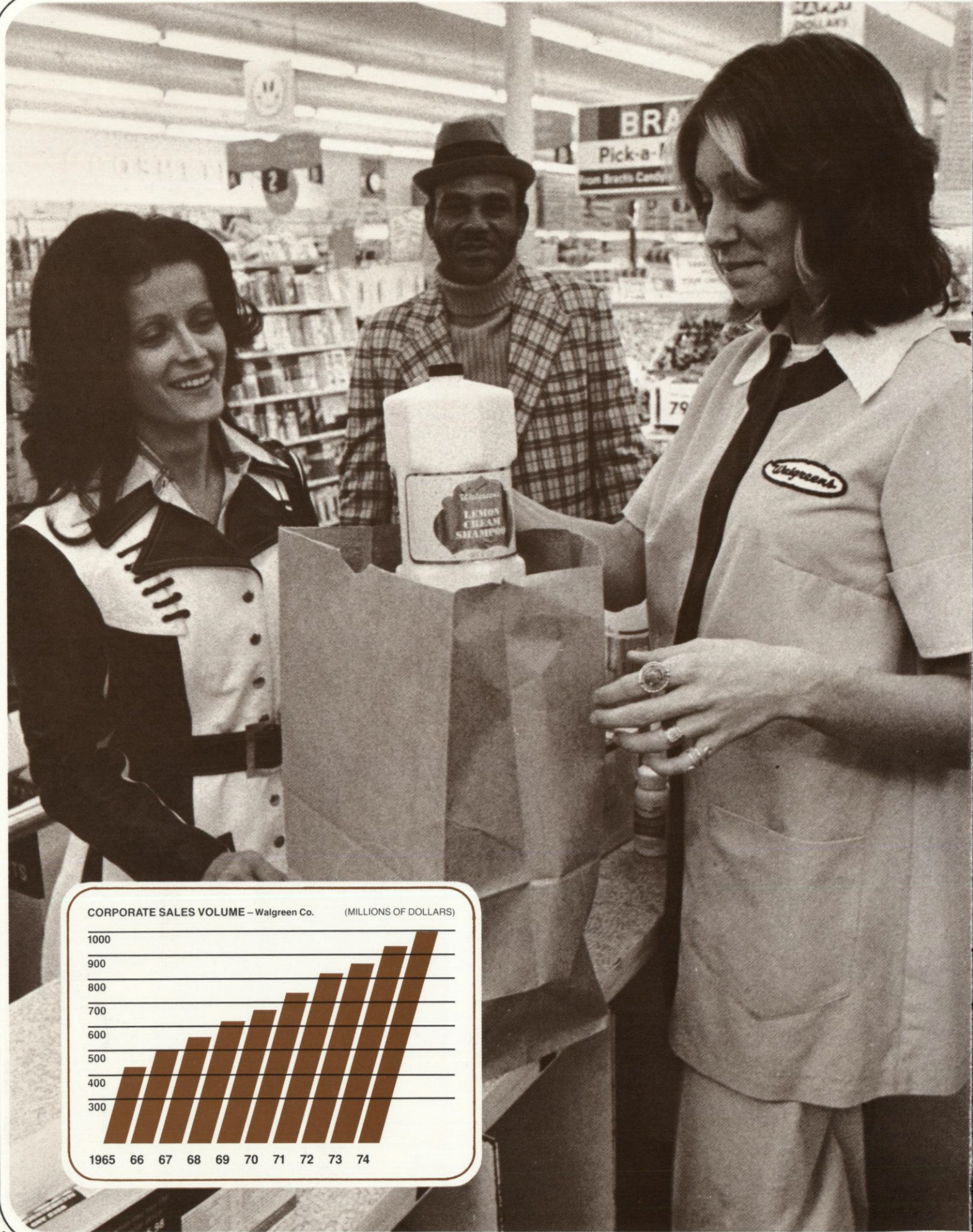
This minimizes reported profits by attributing the most conservative possible profit margin to sales, since the *most recent* and *highest* amount paid is used to determine the cost of an item sold. It also places the lowest possible valuation on year-end inventory (since the *oldest* and *lowest* acquisition cost is used in that calculation), and this lowers reported profits.

It is important to remember that this change in accounting does not take one actual dollar out of the company pocketbook. In fact, with less tax to pay, there's more cash left to restock our shelves even at the current higher costs. This means less reliance on outside financing—and with interest rates being what they are these days, that speaks for itself.

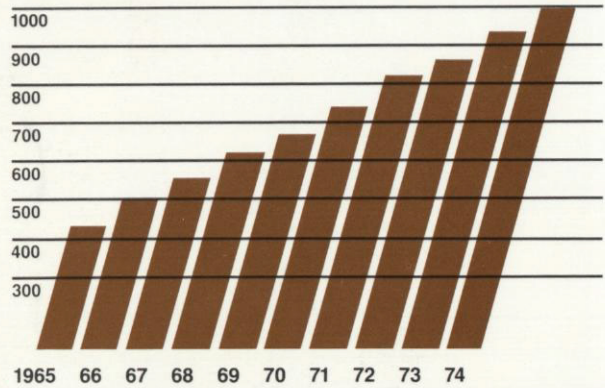
Over the long term, however, LIFO means far more than an increase in usable cash. In an era when inflation is severe, and forecast to stay around indefinitely, American business must do whatever it can to neutralize inflation's distorting effects.

If corporations are to renew understanding and credibility among investors and society at large, this is vital. And giving a clear and understandable picture of a company's position is what financial statements were all about in the first place.





CORPORATE SALES VOLUME - Walgreen Co. (MILLIONS OF DOLLARS)



"Every possible consumer advantage is to our advantage..."

—John E. Klocke, Vice President, Drug Store Operations

WALGREENS and the American Consumer

Every single day is election day in the American marketplace, as consumers decide *where* to go shopping.

And every single day an average of more than 1½ million consumers vote to shop at Walgreen Drug Stores across the nation.

Today's consumers are knowledgeable, discerning, demanding. They expect convenience, require selection, insist on quality, demand value. Their message is clear: "Give me more for my money, and I'm your customer."

Walgreens has a positive answer to that challenge. By planning, innovating, working to gain greater efficiency, greater economy, greater productivity, we gain the *company* advantages that become *consumer* advantages.

And 1½ million customers a day elect to share those advantages, as we answer their demands for—

Convenience: We provide handy in-town locations; easy-parking shopping center sites; evening and weekend hours; charge card service in most markets; restaurant service in many stores.

Selection: Our stores display an ever-widening variety of products for health, home, beauty, better living.

Quality: We buy with great care; we manufacture the finest; we employ strict quality controls; we stand behind what we sell.

Value: The consumer demands it; Walgreens delivers it. For Walgreen bigness, buying power, manufacturing facilities, marketing expertise, and distribution economies are all advantages the consumer *shares* . . . in thousands of discount prices every day; in exciting advertised specials each week; in the dependable extra value of Walgreens own fine laboratory products.

There's one thing more—the *personal services* extended by all on our stores' staffs: Like our "customer's rep", the Walgreen Store Manager; our friendly, expert Pharmacists; our trained, interested Beauty Consultants; and our smiling, speedy check-out Cashiers.

The result: We grow in size and sales. Our corporate volume doubles that of our nearest competitors. Our kinship with the American consumer has made Walgreens a billion dollar company.

Indeed, every possible consumer advantage *is* to our advantage.



New Walgreens signs welcomed consumers to 56 new drug stores during 1974 (4 of them replacements of previous Walgreen locations), while 9 units were closed.

1974 total: 616 drug stores in 305 cities, 32 states and Puerto Rico.

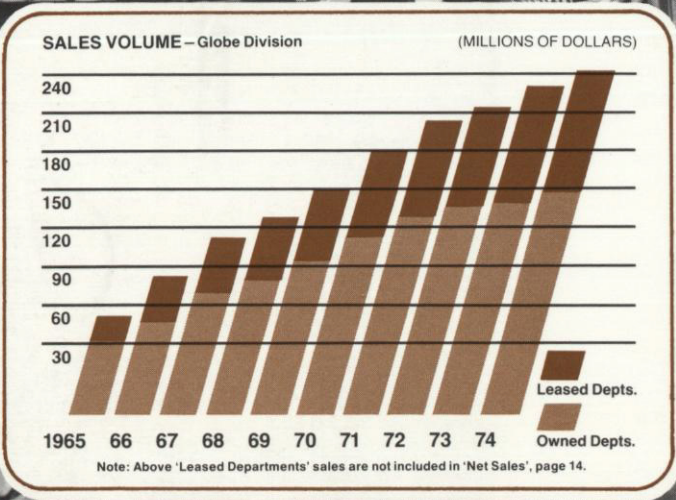
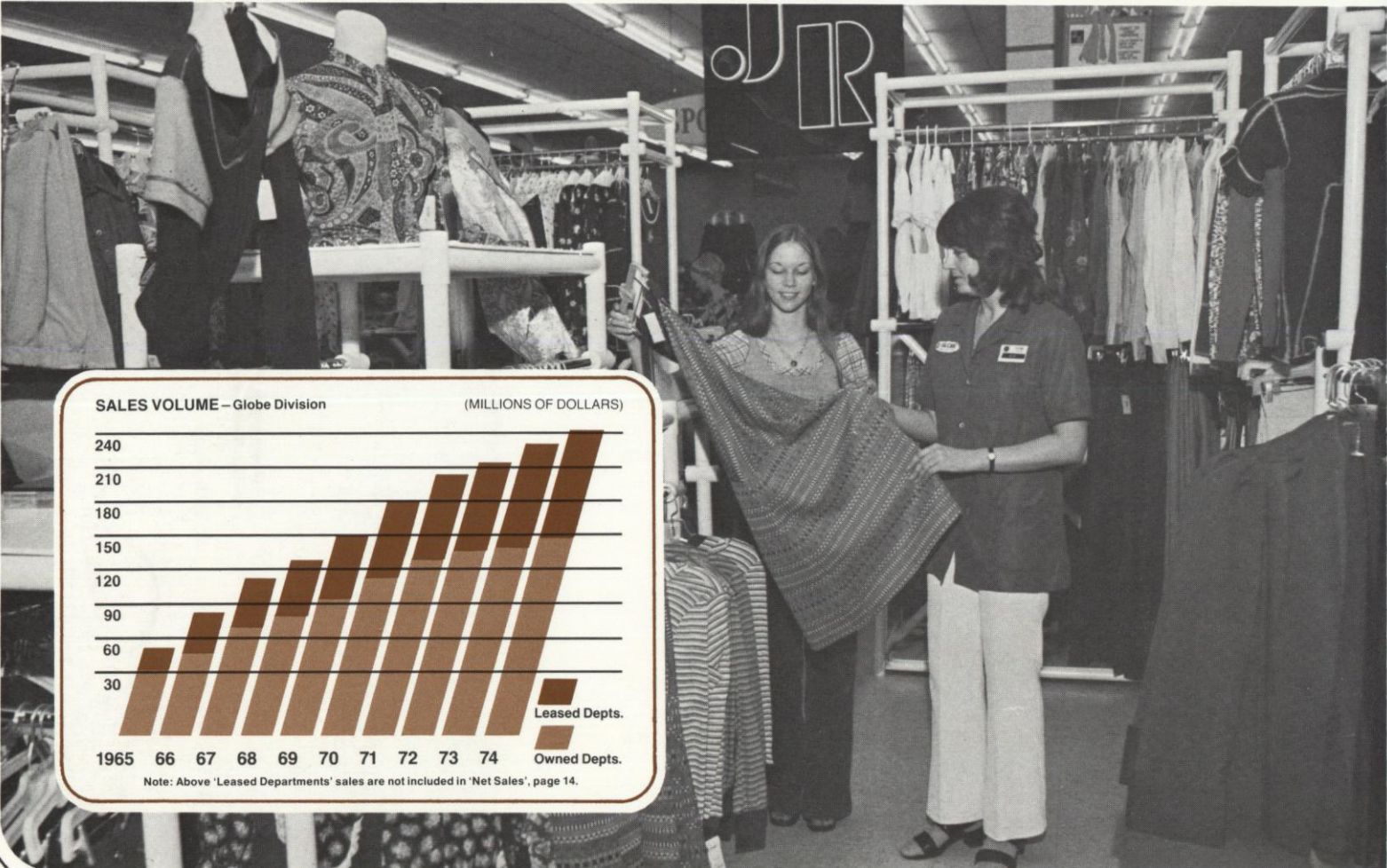
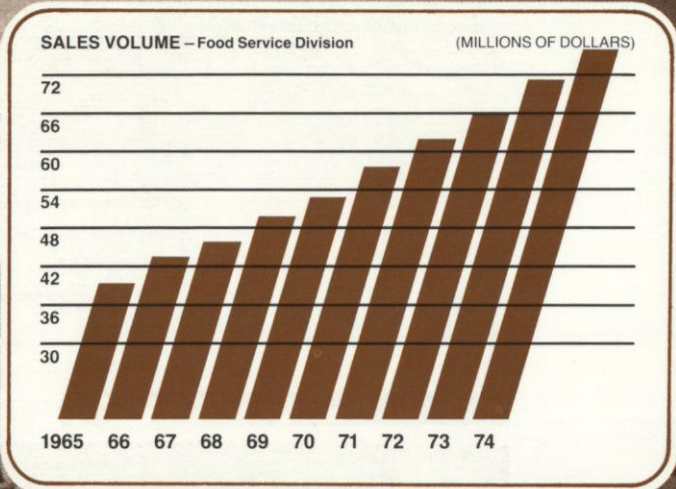
Fiscal 1975: 8 new units already opened, and 24 more scheduled.

Walgreen size and Walgreen sales make for more promotional, more competitive, more profitable drug stores that counter rising costs.

Average sales area of today's Walgreen drug store is about 9,000 square feet. Average annual volume is over 1-1/3 million dollars.

Larger stores provide the advantages of a wider merchandise mix, but we hold fast always to our basic identity as *drug stores*. For this is the firm base that earns Walgreens' invaluable reputation as dependable community centers for health and beauty service.





"Remember! We don't just serve meals . . . we serve people."
—John B. Seastone, Vice President, Food Services Division

WALGREENS — A Great Place to Dine

We've been in this people-pleasing food business a long, long time and, as always, it is a busy, growing, rewarding enterprise.

That's true of our store-connected restaurants (312 and *growing*) which find special favor with on-the-go shoppers, business people, and families who appreciate delicious dining at moderate price.

It's also true of our free-standing units (27 at year-end), like our large *Robin Hood* and *Briargate* restaurants, where medieval decor, inviting menus, and a gracious mode of dining combine for progressively greater consumer popularity and company profitability.

In 1974, we opened 26 new food-service units, and to help provide the management expertise essential to sound growth, we invite top-rated staff members to a formal, six-month restaurant management training course. It is developing new managers . . . and it is underscoring the advancement opportunities at Walgreens.



"When we win the consumer, we win the ball game . . ."
—George E. Jeffers, President, Globe Division

GLOBE . . . A Consumer's World of Value

Half a generation ago, Globe set the standard for giant 100,000 sq. ft. discount department stores in the nation's southwest . . . and pleased consumers have gathered 'round ever since.

Today, in Houston, there's a new breed of Globe—a "near-your-home" convenience unit, designed to invite frequent shopping by young mothers and the growing numbers of working women. Opened mid-November, it measures less than 60,000 sq. ft., and it is located where people live, in a neighborhood shopping center. We'll be studying it; this may be our look of the future.

This newly opened Globe raises our total to 26 to date . . . in Texas, New Mexico, Arizona, Louisiana. A second Globe for fiscal 1975, of traditional size, opens in Brownsville, Texas, this Spring.

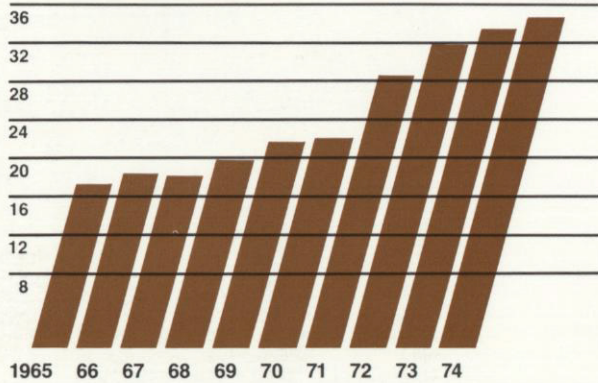
Globe wins consumers with more than discounts. Its variety and depth of departments, quickness with new fashions, ever-changing displays and aggressive advertising keep Globe, as one customer put it—*"Always interesting . . . fun to shop!"*





SALES VOLUME — Laboratory Products

(MILLIONS OF DOLLARS, at retail)
*estimated



"Low price starts the competitive battle . . . quality wins it."

Mirrel R. Kephart, Vice President —
Franchising, Wholesaling, Manufacturing.

Consumer's Choice: WALGREEN BRANDS

Key to the competitive success of Walgreen brands is the fact that we manufacture them in our own laboratories. It eliminates an entire complex of middle-man costs.

It means we can afford the finest of formulas, best of ingredients, and truly say — *When Walgreens name is on it, quality is in it.*

It means we can afford to sell our products at the recognizably lower prices which are so advantageous to consumers.

And it means we can also produce a profit for Walgreens that is outstanding in this close-margined retail drug business.

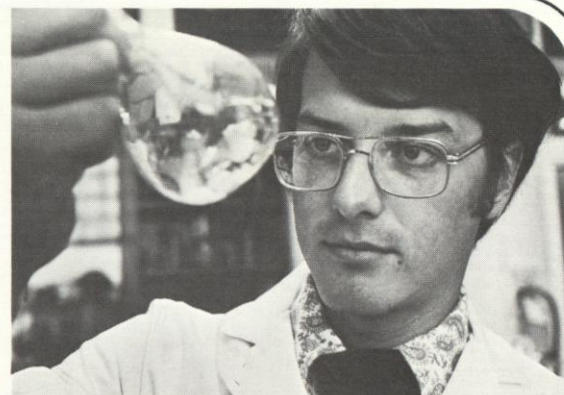
These consumer/company advantages have built for us the largest manufacturing business of any drug store chain, distributing over 500 different health, beauty, and household items exclusively to over 2400 Walgreen, Globe and Walgreen Agency stores. In 1974, our manufacturing division established new records in both volume and earnings.

Today, right on the planning track laid out several years ago, two major expansion programs are becoming fact:

- *December 1974:* Our new 106,000 sq. ft. *Plastic Container Manufacturing Plant*, Bedford Park, Ill., is readying for production now. It replaces present Chicago Laboratory plastics facilities, freeing 30,000 sq. ft. there. Current annual production of 20 million containers will now be materially increased. Profitable outside contracts, heretofore limited by plant capacity, will also increase substantially in the next several years.
- *February 1975:* Our second Walgreen Manufacturing Laboratory will open in Kalamazoo, Mich., with initial production starting in a first-phase 52,000 sq. ft. plant. While timing may adjust to economic developments, our long-term planning calls for three additional stages to open by 1977. The projected total complex will measure over 250,000 sq. ft., equaling our Chicago Laboratory.

Our commitments go beyond production growth. Our customers further benefit from our research and development endeavors, from our employment of innovative quality-control techniques. The public interest is further served by our pioneering 6-year microbiological research into preservatives for prevention of bacterial growth in cosmetics, and our bioavailability studies of medicinal products.

The seal that identifies Walgreen brands is appropriately worded: *With Pride, from Walgreens Laboratories.*



THE WALGREEN AGENCY DRUG STORES . . . OUR PARTNERS IN PROGRESS

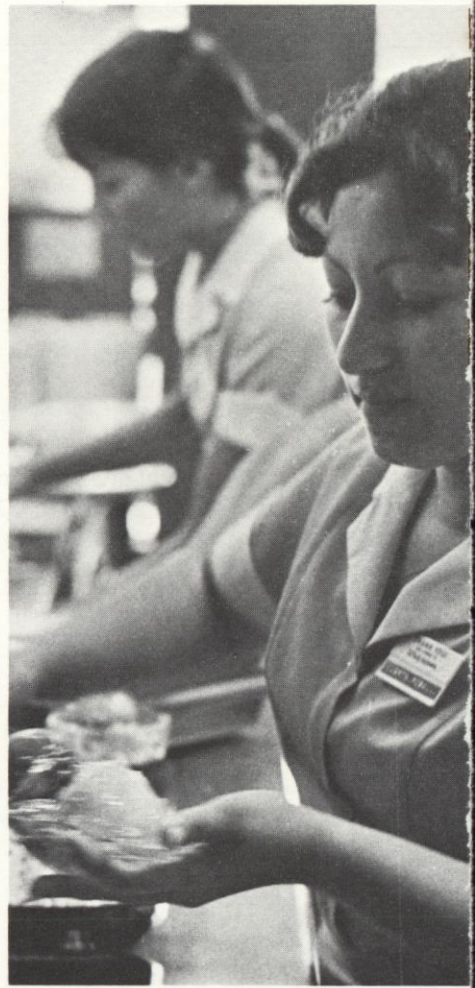
Approximately 1800 Walgreen Agency drug stores, franchised to sell our Walgreen Laboratory brands, carry our name and our products to millions of consumers outside the reach of our own markets.

Independently owned and operated, these stores are among the nation's most progressive and prosperous, as evidenced by the fact that a number have developed into small chains.

Dotting the map from coast to coast (plus Alaska, Guam, Hawaii) they greatly expand our manufacturing scope. In turn, they benefit — not only from the competitive advantages of our exclusive brands — but also from Walgreen aid and expertise in every aspect from store planning to advertising and sales promotion.

Walgreens greatly increasing manufacturing capacity is opening wider horizons for franchising activity, and our Agency Division today is poised for new expansion.





Walgreens and the Puerto Rican Consumer ... "Muy Simpático!"

There has been a warm relationship between Walgreens and our Puerto Rican customers since the day we landed on this beautiful island, back in 1960. They like our wide selections ... they appreciate our consumer-minded prices. And we enjoy a thriving business—in good part due to the efficiency of our Puerto Rican staffs and the graciousness they lend to customer service.

From that first pilot store in San Juan, we've branched to four in the San Juan area, and five more Walgreens virtually circle the island from Fajardo to Caguas to Yauco to Mayagüez to Manati.

All nine stores feature restaurant service, reflecting the hospitable Puerto Rican way of life which cherishes the saying—*Mi casa es su casa* ... "My house is your house."

The latest Walgreens to open was Manati, in July of 1974, and the next scheduled is our second Bayamon (San Juan) unit, with its grand opening planned for May of 1975.

Incidentally: Is our Walgreen Prescription Price Book displayed for Puerto Rican consumers just as here in the States? *Si.*



The Vacationing Consumer Knows Us by Another Name:

INTERNATIONAL TRAVEL SERVICE

I.T.S., Walgreens subsidiary since 1971, is achieving rapid expansion and has more than tripled its gross volume since acquisition.

A 27-year reputation for traveler-care has won *I.T.S.* many prestigious group-tour clients, such as *International College of Surgeons*, *Chicago Council on Foreign Relations*, *American Academy of Pediatrics*. With as many as five hundred people per trip, these tours form our major base of operation.

Popular *I.T.S.* "Pleasure Break" vacation charters for individuals are also generating great volume. *I.T.S.* successfully "wholesales" these open-to-the-public tours by inviting participation of independent travel agents, which greatly broadens the programs.

Heavy advance bookings—to Europe, the Orient, Middle East, Russia—indicate that 1975 will far surpass our 1974 record of over 20 thousand clients...proving that it is, literally—a Consumers' World!



To Mexicans by the Millions, Sanborns is "La Casa del Buen Gusto"

The House of Good Taste. That explains the pride and the popularity of the superb restaurants and fine department stores of *Sanborns* ... irresistible magnets to knowledgeable Mexican consumers as well as to thousands of international tourists.

18 *Sanborns* units—14 in and about Mexico City, 2 in Acapulco, 1 in Monterrey, 1 in Puebla—are each distinctively individual in architecture and style. (Note, in photo at far left, the landmark 16th century *House of Tiles*, which houses a celebrated *Sanborns*.) Yet, all are uniquely alike in dedication to good food, to quality, and to sponsorship of Mexican arts and crafts ... specializing in fabulous collections of silver, copper, glass, ceramics, weaving, sculpture, and paintings.

A Walgreen affiliate since 1946, *Sanborns* also operates 2 manufacturing plants, which produce its famed chocolates, candies, syrups, ice creams, and beauty aids for all *Sanborns* stores as well as for wholesaling channels.

Sanborns is eminently successful, because—dollars or pesos—the consumer knows where the values are.



PREVIEW...1975

Culminating earlier planning, a broad expansion of physical resources is reinforcing current progress and opening doors to greater future growth:

■ **NEW CORPORATE HEADQUARTERS COMING**

Walgreens general offices to move from present Chicago location (4300 Peterson) to northwest suburban Deerfield, Illinois. Modern, 255,000 sq. ft. building purchased for mid-1975 occupancy.

■ **BERKELEY, ILL. WAREHOUSE EXPANSION**

Major physical distribution center increasing capacity by 72% with 192,000 sq. ft. addition. Completion scheduled for Spring, 1975.

■ **NEW PRODUCT MANUFACTURING PLANT**

52,000 sq. ft. first stage of new Kalamazoo, Mich., drugs-cosmetics laboratory to open February, 1975. Final complex to total over 250,000 sq. ft. by 1977.

■ **NEW PLASTIC CONTAINER PLANT OPENING**

106,000 sq. ft. building in Bedford Park, Ill. (replacing present Chicago in-Laboratory facilities) opening December, 1974.

■ **NEW CHICAGO PHOTO-PROCESSING STUDIO**

Modern, highly automated 24,000 sq. ft. plant, to replace original Chicago Studio by mid-'75, is designed to double current output.

■ **NEW STORES AND RESTAURANTS FOR 1975**

On fiscal 1975 schedule are 32 new Walgreen drug stores, 2 Globes, 22 restaurants, and 20 major remodelings of present units.

FINANCIAL INFORMATION

10 YEAR PERFORMANCE SUMMARY

YEAR ENDED SEPT. 30	NET SALES	EARNINGS BEFORE TAXES(1)	FEDERAL & STATE INCOME TAXES	NET EARNINGS(1)	CASH DIVIDENDS PAID	PER SHARE(2)			
						NET EARNINGS(1)		DIVIDENDS PAID	SHARE-OWNERS' EQUITY
						Assuming No Dilution	Assuming Full Dilution(3)		
IN THOUSANDS OF DOLLARS					IN DOLLARS				
1974	\$996,616	\$11,777	\$4,208	\$7,569	\$6,569	\$1.15	\$1.11	\$1.00	\$18.02
1973	930,899	24,671	10,943	13,728	6,505	2.11	1.95	1.00	17.90
1972	863,334	19,507	8,121	11,386	6,440	1.77	1.65	1.00	16.78
1971	817,487	18,209	7,608	10,601	6,414	1.65	1.59	1.00	15.99
1970	743,592	15,959	6,557	9,402	6,371	1.48	—	1.00	15.32
1969	672,886	21,708	9,595	12,113	6,353	1.91	—	1.00	14.63
1968	622,845	20,558	9,211	11,347	5,718	1.79	—	.90	13.73
1967	559,425	20,789	8,400	12,389	4,616	1.95	—	.70	12.84
1966	501,616	18,331	7,738	10,593	4,284	1.67	—	.65	11.62
1965	432,511	13,715	5,700	8,015	3,707	1.30	—	.60	10.56

(1) In 1974, earnings were reduced by adoption of LIFO accounting, as substantially all inventories were valued on a last-in, first-out (LIFO) basis. See Notes to Consolidated Financial Statements, page 18.

(2) Adjusted for two-for-one stock split in 1967.

(3) Assumes conversion of 5½% Convertible Subordinated Debentures issued March 1, 1971.

10 YEAR GROWTH CHART (RETAIL STORES, SEPARATE RESTAURANTS)

YEAR ENDED SEPT. 30	NEW-UNIT OPENINGS	MAJOR REMODELINGS	CLOSINGS OR REPLACEMENTS	YEAR-END TOTALS	SQ. FT. NET SALES AREA (millions)
1974	58	25	11	668	6.86
1973	36	18	40	621	6.44
1972	45	27	38	625	6.29
1971	38	36	33	618	6.08
1970	54	34	29	613	5.73
1969	53	38	17	588	5.19
1968	45	25	25	552	4.80
1967	37	19	26	532	4.37
1966	48	18	23	521	3.98
1965	35	25	19	496	3.50

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the Years Ended September 30, 1974 and 1973
WALGREEN CO. AND SUBSIDIARIES

	<u>1974</u>	<u>1973</u>
EARNINGS		
NET SALES	\$996,616,262	\$930,898,958
COSTS AND DEDUCTIONS:		
Cost of sales	734,371,915	673,419,021
Selling, occupancy and administration	243,764,829	227,208,941
Contribution to Employees' Profit-Sharing Retirement Trust	2,688,737	2,663,789
Interest expense, net	4,013,496	2,936,410
Federal and state income taxes	4,208,000	10,943,000
	<u>989,046,977</u>	<u>917,171,161</u>
NET EARNINGS	<u>\$ 7,569,285</u>	<u>\$ 13,727,797</u>
NET EARNINGS PER COMMON SHARE:		
Assuming no dilution	\$ 1.15	\$ 2.11
Assuming full dilution	<u>\$ 1.11</u>	<u>\$ 1.95</u>

RETAINED EARNINGS

BALANCE, beginning of year	\$ 89,895,927	\$ 82,672,989
Net earnings	7,569,285	13,727,797
Cash dividends—\$1.00 per share	<u>(6,569,110)</u>	<u>(6,504,859)</u>
BALANCE, end of year	<u>\$ 90,896,102</u>	<u>\$ 89,895,927</u>

The accompanying statement of major accounting policies and the notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended September 30, 1974 and 1973
WALGREEN CO. AND SUBSIDIARIES

	<u>1974</u>	<u>1973</u>
SOURCES OF WORKING CAPITAL:		
Provided by operations –		
Net earnings	\$ 7,569,285	\$13,727,797
Add (or deduct) items which do not use (or provide) working capital –		
Depreciation and amortization	7,322,435	7,013,135
Equity income from investments	(1,429,175)	(880,397)
Deferred income taxes	<u>1,449,000</u>	<u>967,000</u>
	14,911,545	20,827,535
Net book value of property and equipment retired	1,081,777	2,735,869
New long-term borrowings, net	12,522,317	3,105,243
Sales of common stock under employee stock purchase plans (61,590 shares in 1974 and 61,395 shares in 1973)	867,804	1,137,301
Changes in investments in other companies, principally dividends received	<u>1,023,463</u>	<u>721,407</u>
	<u>\$30,406,906</u>	<u>\$28,527,355</u>
APPLICATIONS OF WORKING CAPITAL:		
Additions to property and equipment	\$22,942,840	\$12,017,425
Current maturities of long-term debt	464,503	1,252,616
Cash dividends paid	<u>6,569,110</u>	<u>6,504,859</u>
	29,976,453	19,774,900
Increase in working capital	<u>\$ 430,453</u>	<u>\$ 8,752,455</u>
CHANGES IN COMPONENTS OF WORKING CAPITAL:		
Increase (decrease) in current assets –		
Cash	\$ (4,392,588)	\$ (3,455,982)
Accounts receivable	8,681,670	1,358,062
Inventories	1,663,665	5,739,497
Other current assets	45,750	(194,651)
(Increase) decrease in current liabilities –		
Notes payable and current maturities of long-term debt	(11,311,887)	7,757,072
Income taxes	4,542,980	(2,433,871)
Other current liabilities	<u>1,200,863</u>	<u>(17,672)</u>
Increase in working capital	<u>\$ 430,453</u>	<u>\$ 8,752,455</u>

The accompanying statement of major accounting policies and the notes to consolidated financial statements are an integral part of this statement.

CONSOLIDATED BALANCE SHEET

WALGREEN CO. AND SUBSIDIARIES

ASSETS

	September 30 1974	September 30 1973
CURRENT ASSETS:		
Cash	\$ 4,526,705	\$ 8,919,293
Accounts receivable, less allowances of \$2,013,000 in 1974 and \$1,613,000 in 1973 for doubtful accounts	27,633,559	18,951,889
Inventories	157,754,797	156,091,132
Prepaid rent, insurance, taxes, etc.	3,022,660	2,976,910
TOTAL CURRENT ASSETS	<u>192,937,721</u>	<u>186,939,224</u>
INVESTMENTS IN OTHER COMPANIES:		
Stated at equity in underlying book values	5,686,090	5,281,121
Stated at cost (market values or equity in underlying book values— \$3,278,000 in 1974 and \$6,857,000 in 1973)	324,746	324,003
	<u>6,010,836</u>	<u>5,605,124</u>
PROPERTY AND EQUIPMENT, at cost:		
Land and land improvements	6,809,530	6,468,123
Buildings including improvements to leased properties	28,933,049	18,275,112
Equipment	102,249,255	93,556,305
	<u>137,991,834</u>	<u>118,299,540</u>
Less—Accumulated depreciation and amortization	53,798,174	48,644,508
	<u>84,193,660</u>	<u>69,655,032</u>
	<u>\$283,142,217</u>	<u>\$262,199,380</u>

LIABILITIES

	September 30 1974	September 30 1973
CURRENT LIABILITIES:		
Notes payable	\$ 13,600,000	\$ 1,500,000
Current maturities of long-term debt	464,503	1,252,616
Trade accounts payable	49,062,654	50,478,441
Accrued expenses and other liabilities	27,289,370	27,074,446
Income taxes	1,615,669	6,158,649
TOTAL CURRENT LIABILITIES	<u>92,032,196</u>	<u>86,464,152</u>
LONG-TERM DEBT, less current maturities	<u>61,722,650</u>	<u>49,664,836</u>
DEFERRED INCOME TAXES	<u>10,551,000</u>	<u>9,102,000</u>
SHAREOWNERS' EQUITY:		
Common stock, \$2.50 par value; authorized 10,000,000 shares; issued and outstanding 6,595,422 in 1974 and 6,533,832 in 1973, at stated value	27,940,269	27,072,465
Retained earnings	<u>90,896,102</u>	<u>89,895,927</u>
	<u>118,836,371</u>	<u>116,968,392</u>
	<u>\$283,142,217</u>	<u>\$262,199,380</u>

The accompanying statement of major accounting policies and the notes to consolidated financial statements are an integral part of this statement.

STATEMENT OF MAJOR ACCOUNTING POLICIES

WALGREEN CO. AND SUBSIDIARIES

PRINCIPLES OF CONSOLIDATION:

The consolidated statements include the accounts of the Company and all subsidiaries. All significant intercompany transactions have been eliminated.

The Company owns minority interests in the voting stock of several companies. Investments representing 20% or more of such stock are carried at equity in their underlying book values. Provision is made for all income taxes which would be due if the undistributed earnings of these companies were remitted. The principal portion of such investments consists of the Company's 44.9% ownership of Sanborn Hermanos, S.A. and 49.5% ownership of Sanborn's Monterrey, S.A.

INVENTORIES:

In 1974, substantially all inventories are valued on a last-in, first-out (LIFO) basis.

Prior to 1974, the Walgreen Drug Store inventories were valued at average costs, which approximated the lower of first-in, first-out (FIFO) cost or market, and Globe Department Store inventories were valued at the lower of FIFO cost or market determined primarily by the retail method. Other inventories in manufacturing and warehousing facilities were valued at the lower of FIFO cost or market.

See the accompanying note regarding the change in method of valuing inventories.

PROPERTY, EQUIPMENT AND DEPRECIATION:

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated physical life of the property or over the term of the lease, whichever is shorter. Major repairs which extend the useful life of an asset are charged to the Property and Equipment accounts. Routine maintenance and repairs are charged against earnings. The composite method of depreciation is used for equipment; therefore, gains and losses on retirements or other disposition of assets are included in earnings only when an entire location is closed or completely remodeled.

DEFERRED INCOME TAXES:

The Company provides Federal and state income taxes on items included in the Consolidated Statement of Earnings regardless of the period when such taxes are payable. Taxes deferred due to the use of accelerated depreciation for income tax purposes and due to the excess of equity income in investments over dividends received are classified as a non-current liability.

INVESTMENT TAX CREDIT:

The Company reflects the investment tax credit as a reduction in Federal income taxes in the year eligible property and equipment purchases are put into service.

PRE-OPENING EXPENSES:

Non-capital expenditures incurred prior to the opening of a new or remodeled store are charged against earnings when they are incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WALGREEN CO. AND SUBSIDIARIES

CHANGE IN METHOD OF VALUING INVENTORIES:

As expressed in the Statement of Major Accounting Policies, the Company adopted the last-in, first-out (LIFO) method of determining inventory cost as of October 1, 1973. The Company had previously valued inventories at amounts which approximated first-in, first-out costs. The LIFO method is preferable because it reflects the most recent product cost in the statement of earnings. Also, in periods of price increases the LIFO method reduces cash outlay for income taxes. This change in the method of accounting for inventories had the effect of reducing net income for 1974 by \$6,719,000 (\$1.02 per share) and inventories by \$13,404,000 below that which would have been reported using the previous inventory pricing method. For this type of accounting change there is no cumulative effect on retained earnings as of September 30, 1973.

LONG-TERM DEBT:

Long-term debt, less current maturities, consists of the following:

Issue	Interest Rate	Principal	
		1974	1973
Convertible Subordinated Debentures, due 1991	5½%	\$30,000,000	\$30,000,000
Notes payable to banks, to be refinanced in 1975	4¾%	9,625,000	9,625,000
Notes payable to banks, to be refinanced in 1975	12%	8,600,000	—
Industrial Revenue Bonds	6¼%	4,300,000	—
Mortgage obligations of subsidiary companies	4⅞-8¼%	9,197,650	10,039,836
		<u>\$61,722,650</u>	<u>\$49,664,836</u>

The 5½% Convertible Subordinated Debentures are convertible into common shares at the rate of 31 shares per \$1,000 principal amount. At September 30, 1974, 930,000 common shares were reserved for such conversions. The debentures are subordinated to all other borrowings of the Company. At the Company's option, the debentures are redeemable at prices ranging from 104.631% in 1974 to par in 1990. Beginning in 1982 sinking fund payments of not less than 10% nor, at the Company's option, more than 20%, of the total principal amount outstanding will be required.

Under the most restrictive covenants of the Company's debt agreements (a) \$65,428,000 of consolidated retained earnings, as defined, at September 30, 1974, is not available for payment of cash dividends, or for repurchase of the Company's stock and (b) consolidated net current assets, as defined, must be at least \$25,000,000. Consolidated net current assets, as defined, were \$102,039,000 at September 30, 1974.

The 4¾% notes are due in 1975 and are intended to be paid by the proceeds of loans made under a new bank loan agreement dated October 30, 1974, or by alternative long-term financing. The new bank loan agreement provides for a revolving line of credit of \$10,000,000 through October 30, 1976 at the prevailing prime interest rate. In addition, commencing February, 1975, the Company is obligated to pay an annual commitment fee equal to ½% of the unused commitment plus ¼% of the total loan commitment. Any loans outstanding at October 30, 1976 are convertible into a three-year term loan payable in

quarterly installments and bearing interest at ½% over the prime rate in effect from time to time.

The 12% notes payable to banks are interim financing for the Company's new headquarters in Deerfield, Illinois. On October 15, 1974, the notes were repaid with the proceeds of a new mortgage loan of \$8,600,000. The new loan bears 9.8% interest and is payable in installments through 1999.

In 1974, the Company financed an addition to its warehouse at Berkeley, Illinois, through the issuance of Industrial Revenue Bonds in the amount of \$4,300,000. The bonds bear 6¼% interest and are payable in installments from 1983 through 1998.

The Deerfield mortgage loan, the Berkeley Industrial Revenue Bonds, and the mortgage obligations of subsidiary companies are secured by office, store, warehouse, and shopping center properties having a net book value at September 30, 1974, of \$20,112,000. While Walgreen Co. is not directly obligated for the mortgages of subsidiary companies, all these mortgages, except for approximately \$768,000, are secured by lease agreements between Walgreen Co. and its subsidiary companies or by guarantees of Walgreen Co. All mortgages provide for monthly payments of principal and interest and become fully retired between 1982 and 1999.

Annual maturities due on long-term debt, excluding annual payments of approximately \$3,200,000 in 1977 through 1979 relating to the revolving line of credit, if converted, for each of the next five years are as follows:

1975	1976	1977	1978	1979
\$465,000	\$500,000	\$530,000	\$549,000	\$583,000

SHORT-TERM BORROWINGS:

Short-term borrowings outstanding during 1974 were:

	Commercial Paper	Short-Term Bank Notes
At September 30, 1974	\$13,600,000	\$ —
Average during year	12,770,000	467,000
Largest month-end balance	(Mar.) 29,080,000	(Nov.) 5,750,000

The weighted average interest rate for these borrowings was 11.9% at September 30, 1974, and 10.2% for the year.

At September 30, 1974, the Company had approximately \$53,200,000 of bank lines of credit of which \$8,600,000 was outstanding as bridge financing to a mortgage takedown, and \$44,600,000 was unused. The credit lines are renewable annually at various dates and provide for loans of varying maturities at the prime rate. There are no compensating balance arrangements in connection with these lines of credit.

INCOME TAXES:

The provision for Federal and state income taxes consists of the following:

	1974	1973
Currently Payable—		
Federal	\$2,457,000	\$ 9,226,000
State	302,000	750,000
	<u>2,759,000</u>	<u>9,976,000</u>
Deferred to future periods—		
Federal	1,317,000	967,000
State	132,000	—
	<u>1,449,000</u>	<u>967,000</u>
	<u>\$4,208,000</u>	<u>\$10,943,000</u>

The difference between the statutory income tax rate and the effective rate, as related to pre-tax earnings before equity income from investments, is

principally due to the investment tax credit of \$715,000 in 1974 and \$600,000 in 1973.

CAPITAL STOCK:

As of September 30, 1974, 268,743 shares of common stock were reserved for issuance under employee stock purchase plans.

There are authorized 1,000,000 shares of a \$1 per share par value preferred stock issuable in series. The rights of this preferred stock as to dividends, redemption and liquidation will be determined when, as and if issued.

NET EARNINGS PER COMMON SHARE:

Net earnings per common share, assuming no dilution, were computed using the weighted average number of shares outstanding during each year. Net earnings per common share, assuming full dilution,

were computed on the assumption that the 5½% Convertible Subordinated Debentures were converted into 930,000 shares of the Company's common stock as of the beginning of each year, and that the related interest expense, net of its effect upon profit-sharing and income taxes, was eliminated.

EMPLOYEES' PROFIT-SHARING RETIREMENT TRUST:

The Company has a retirement plan for employees known as the Walgreen Profit-Sharing Retirement Trust, to which both the Company and the employees contribute. The Company's contribution is related to pre-tax income and is computed by a formula specified by the Trust agreement.

LEASES:

The Company generally operates in leased premises. Original noncancelable lease terms typically range from ten to twenty years and normally have options that permit renewals for additional periods. Certain of these leases are considered to be non-

capitalized financing leases as defined by the Securities and Exchange Commission. Rental expense on all leases, net of sub-lease income of \$3,548,000 in 1974, and \$3,149,000 in 1973, was as follows:

Year	(000 Omitted)				Total
	Minimum Rentals (Net of Sub-Lease Income)		Contingent Rentals (Based on Sales)		
	Non-Capitalized Financing Leases	Operating Leases	Non-Capitalized Financing Leases	Operating Leases	
1974	\$5,335	\$18,331	\$1,243	\$3,884	\$28,793
1973	4,584	17,674	1,252	3,113	26,623

Minimum rental commitments at September 30, 1974, under noncancelable leases having an original term of more than one year are shown below. These

commitments relate primarily to real estate leases and are net of sub-lease income of \$18,913,000.

Year	(000 Omitted)		
	Non-Capitalized Financing Leases	Operating Leases	Total
1975	\$ 5,863	\$ 17,196	\$ 23,059
1976	5,613	16,674	22,287
1977	5,341	15,039	20,380
1978	4,894	13,657	18,551
1979	4,584	12,256	16,840
1980-1984	19,536	43,644	63,180
1985-1989	16,356	21,201	37,557
1990-1994	12,484	4,959	17,443
After 1994	3,233	2,698	5,931
	<u>\$77,904</u>	<u>\$147,324</u>	<u>\$225,228</u>

The present value of net future minimum rentals under non-capitalized financing leases is shown below. Estimated executory expenses of the lessor have been excluded from these amounts. However, the

present value of sub-lease income, amounting to \$7,668,000 in 1974 and \$8,316,000 in 1973, has not been deducted.

As of	Interest Rates		
	Range	Weighted Average	Present Value
September 30, 1974	1.5%-12.0%	5.6%	\$39,070,000
September 30, 1973	1.5 -12.0	5.4	38,262,000

If the non-capitalized financing leases had been capitalized and amortized on a straight-line basis and interest expense accrued on the basis of the out-

standing lease liability, net earnings would have been increased by \$357,000 in 1974 and \$599,000 in 1973.

Walgreen Co.

DIRECTORS

CECIL R. CAMPBELL	JAMES MITCHELL
WALTER E. COHEN	ARTHUR C. NIELSEN, JR.
CHARLES D. HUNTER	SOL S. RAAB
JOHN E. JEUCK	ROBERT L. SCHMITT
MIRREL R. KEPHART	CHARLES R. WALGREEN III
CHARLES R. WALGREEN, JR.	

OFFICERS

CHARLES R. WALGREEN III, PRESIDENT

FRED F. CANNING VICE PRESIDENT <i>Marketing</i>	THOMAS J. BARTON SECRETARY
H. RICHARD DREWS VICE PRESIDENT <i>Human Resources</i>	L. ALAN CROTTY CONTROLLER
CHARLES O. ELSON VICE PRESIDENT <i>Purchasing</i>	JAMES A. DAVLIN TREASURER
CHARLES D. HUNTER VICE PRESIDENT <i>Administration</i>	JOSEPH M. LAY GENERAL AUDITOR
MIRREL R. KEPHART VICE PRESIDENT <i>Franchising, Wholesaling, Manufacturing</i>	COLETTE HANNAN ASSISTANT TREASURER
JOHN E. KLOCKE VICE PRESIDENT <i>Drug Store Operations</i>	THOMAS P. JOYCE ASSISTANT SECRETARY
ROBERT L. SCHMITT VICE PRESIDENT <i>Store Operations</i>	EMILY KOULOGEOURGE ASSISTANT SECRETARY
JOHN B. SEASTONE VICE PRESIDENT <i>Food Services</i>	JOEL H. LEVIN ASSISTANT SECRETARY
ROBERT J. TELFER VICE PRESIDENT <i>Store Merchandising</i>	N. EDWARD NILSSON ASSISTANT TREASURER
WILLIAM J. WIENKE VICE PRESIDENT <i>Physical Resources</i>	JOHN F. RICHTER ASSISTANT CONTROLLER
	RAYMOND W. WIRSING ASSISTANT CONTROLLER

AUDITORS' REPORT

ARTHUR ANDERSEN & CO.
CHICAGO, ILLINOIS

To the Board of Directors and
Shareowners of Walgreen Co.:

We have examined the consolidated balance sheet of WALGREEN CO. (an Illinois corporation) AND SUBSIDIARIES as of September 30, 1974 and 1973, and the related consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully explained in the notes to the accompanying consolidated financial statements, the Company changed from the first-in, first-out method to the last-in, first-out method of computing the cost of its inventories as of October 1, 1973.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Walgreen Co. and Subsidiaries as of September 30, 1974 and 1973, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles which, except for the change (with which we concur) in the method of accounting for inventories referred to in the preceding paragraph, were consistently applied during the periods.

Chicago, Illinois,
November 5, 1974.

Arthur Andersen & Co.

TRANSFER AGENTS:

The First National Bank of Chicago
Morgan Guaranty Trust Company, New York

REGISTRARS:

Harris Trust and Savings Bank, Chicago
First National City Bank, New York

Listed: New York Stock Exchange,
Midwest Stock Exchange
Symbol: Wag



CURRENT DIRECTORY
OF
WALGREEN DRUG STORES

and separate restaurants

As of December 1, 1974

ALABAMA (2)

Dothan
Huntsville

ARIZONA (26)

Glendale
Mesa
Nogales
PHOENIX (10)
Sun City (2)
Tempe
TUCSON (9)
Yuma

ARKANSAS (5)

El Dorado
Hot Springs
Little Rock
Pine Bluff
West Memphis

CALIFORNIA (31)

Alameda
Belmont
Burlingame
Castro Valley
Concord (2)
Daly City
Hayward
Millbrae
Mountain View
Palo Alto
Petaluma
Salinas
San Bruno
SAN FRANCISCO (9)
San Jose (3)
San Mateo
Santa Clara
South San Francisco
Walnut Creek
Yuba City

COLORADO (21)

Arvada
Aurora (2)
Boulder
Colorado Springs (4)
Denver (3)
Englewood
Fort Collins (2)
Lakewood (2)
Littleton (2)
Northglenn
Thornton
Wheat Ridge

CONNECTICUT (4)

Bridgeport (2)
Meriden
New Britain

FLORIDA (82)

Boynton Beach
Bradenton (3)
Casselberry
Charlotte Harbor
Clearwater
Cocoa
Coral Gables
Daytona Beach (2)
Fort Lauderdale (2)
Fort Myers (2)
Gainesville
Hollywood (4)
Jacksonville (5)
Lakeland
Lauderhill (2)
Madeira Beach
Melbourne
Merritt Island
MIAMI (9)
North Miami
North Miami Beach
Oakland Park
Ocala (2)
Orlando (5)
Ormond Beach
Pinnellas Park
Pompano Beach
Riviera Beach
St. Petersburg (3)
Sarasota (4)
South Daytona
Stuart
Tallahassee (2)
TAMPA (9)
Titusville
Venice
West Palm Beach (3)
Winter Haven (2)
Winter Park

GEORGIA (3)

Columbus (2)
Savannah

ILLINOIS (150)

Arlington Heights (3)
Berwyn
Bloomington
Blue Island
Bolingbrook
Bridgeview
Broadview
Carbondale
Carol Stream
Champaign (2)
CHICAGO (63)
Chicago Heights
Cicero
Crest Hill
Danville
Decatur (2)
Deerfield
Des Plaines (2)
Dolton
Downers Grove

East St. Louis
 Elk Grove Village (2)
 Elmhurst
 Elmwood Park
 Evanston
 Evergreen Park
 Galesburg
 Glen Ellyn
 Hanover Park (2)
 Harvey
 Hickory Hills
 Homewood
 Joliet
 Kankakee (2)
 Lake Forest
 Lombard
 Markham
 Mattoon
 Melrose Park
 Moline (3)
 Morton Grove
 Mt. Prospect
 Niles
 Norridge
 Northbrook
 Oak Brook
 Oak Lawn
 Oak Park
 Ottawa
 Palatine
 Palos Heights
 Park Ridge (3)
 Pekin
 Peoria (3)
 Quincy
 River Grove
 Rockford (2)
 Rock Island
 Round Lake Beach
 Schaumburg
 Skokie
 Springfield
 Sterling (2)
 Tinley Park
 Urbana
 Villa Park
 Waukegan (3)
 Western Springs (2)
 Westmont

INDIANA (19)
 Clarksville
 East Chicago (2)
 Fort Wayne (4)
 Gary (2)
 Griffith
 Hammond (2)
 Lafayette
 Merrillville
 Michigan City (2)
 Muncie
 New Albany
 Vincennes

IOWA (18)
 Bettendorf
 Cedar Falls
 Clinton

Council Bluffs
 Davenport (3)
 Des Moines (5)
 Dubuque
 Fort Dodge
 Iowa City
 Marshalltown
 Muscatine
 Sioux City

KANSAS (5)
 Hutchinson
 Salina
 Topeka (3)

KENTUCKY (20)
 Covington
 Fort Wright
 Hopkinsville
 Lexington
 LOUISVILLE (11)
 Newport
 Paducah
 Pleasure Ridge Park
 St. Matthews
 West Buechel

LOUISIANA (22)
 Alexandria (2)
 Arabi
 Baton Rouge
 Gretna
 Lafayette
 Lake Charles (4)
 Metairie
 NEW ORLEANS (9)
 Shreveport (2)

MICHIGAN (7)
 Battle Creek
 Jackson
 Kalamazoo
 Lansing
 Muskegon (3)

MINNESOTA (23)
 Blaine
 Bloomington
 Brooklyn Park
 Cottage Grove
 Duluth (4)
 Edina
 Golden Valley
 Mankato
 Minneapolis (5)
 New Hope
 Richfield
 St. Cloud
 St. Louis Park
 St. Paul (3)

MISSISSIPPI (3)
 Biloxi
 Tupelo
 Vicksburg

MISSOURI (18)
 Crestwood
 Florissant (2)
 Hazelwood
 Jennings (3)
 Joplin
 Northwoods
 Richmond Heights
 St. Ann
 ST. LOUIS (7)

NEBRASKA (13)
 Bellevue
 Fremont
 Hastings
 Lincoln (2)
 OMAHA (8)

NEW JERSEY (4)
 East Paterson
 Menlo Park
 S. Plainfield
 Willingboro

NEW MEXICO (8)
 Albuquerque (5)
 Clovis
 Santa Fe (2)

NEW YORK (7)
 Hempstead, L.I.
 Kingston
 Newburgh
 New Hyde Park, L.I.
 New York City
 Valley Stream, L.I.
 Yonkers

NORTH CAROLINA (1)
 Wilmington

NORTH DAKOTA (1)
 Fargo

OHIO (11)
 CINCINNATI (9)
 North College Hill (2)

OKLAHOMA (2)
 Tulsa (2)

SOUTH DAKOTA (2)
 Aberdeen
 Sioux Falls

TENNESSEE (25)
 Clarksville
 Goodlettsville
 Jackson
 Knoxville
 Madison
 MEMPHIS (15)
 Nashville (4)
 Oak Ridge

TEXAS (65)
 Austin (2)
 Beaumont (2)
 Brownsville
 Brownwood
 Clear Lake City
 Corpus Christi (3)
 Dallas
 Deer Park
 El Paso (5)
 Galveston
 HOUSTON (28)
 Midland
 Nederland
 Odessa
 Pasadena
 Port Arthur (2)
 San Antonio (6)
 Texas City
 Victoria
 Waco (3)
 Wichita Falls (2)

UTAH (8)
 Granger (2)
 Logan
 Murray
 Orem
 Salt Lake City (3)

VIRGINIA (1)
 (Washington, D.C.)
 The Pentagon

WISCONSIN (31)
 Appleton
 Beloit
 Brookfield (2)
 Cudahy
 Eau Claire (2)
 Elmwood Park
 Fond Du Lac
 Glendale
 Greenfield
 Kenosha
 MILWAUKEE (12)
 Racine
 Sheboygan (2)
 South Milwaukee
 Wausau
 Wauwatosa
 West Allis

* * * * *
PUERTO RICO (10)



Bayamon
 Caguas
 Caparra Heights
 Fajardo
 Guaynabo
 Manati
 Mayaguez
 San Juan (2)
 Yauco

**GLOBE
 Department Stores**



ARIZONA (4)
 Mesa
 Phoenix (2)
 Tucson

LOUISIANA (3)
 Baton Rouge
 Shreveport (2)

NEW MEXICO (2)
 Albuquerque (2)

TEXAS (17)
 Baytown
 Corpus Christi
 El Paso
 Galveston
 HOUSTON (7)
 Lubbock
 McAllen
 Pasadena
 San Antonio (3)

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**SANBORNS
 of MEXICO**



ACAPULCO (2)

MEXICO CITY (14)
 Cuauhtemoc
 Del Angel
 Diana
 Insurgentes
 Lindavista
 Madero
 Manacar
 Niza
 Palacio
 Prado
 Reforma
 San Angel
 Satelite
 Universidad

MONTERREY

PUEBLA

Walgreens

**OPPORTUNITY
NATIONWIDE
...for Over
29 THOUSAND
PEOPLE**

Through three generations now, our company has worked actively and sincerely to hold Walgreens doors open wide for *all*... for people of any race, nationality, creed, color, sex or age.

Our policy, and our practice, has been to employ people on the basis of qualifications and potential; to compensate and promote people on the basis of performance; to treat each employee with fairness and respect.

Yet we must recognize that, always, there remains more to do. So, in addition to our long established and formally stated policy, we have initiated an "action plan" which today further implements that policy...which reaffirms and reinforces our corporate objective of equal opportunity for all.

Our company activities are guided by the principles of *The Four-Way Test*, displayed on the opposite page.

It is, very simply, good business.

We find that affirmative answers to those direct, honest questions are inevitably rewarded by mutually beneficial relationships... with our customers, our employees, our suppliers, our shareowners, and with the communities we serve.

The Four-Way Test

OF THE THINGS WE THINK, SAY, OR DO—

1. Is it the ***TRUTH***?
2. Is it ***FAIR*** to all concerned?
3. Will it build ***GOODWILL*** and ***BETTER FRIENDSHIPS***?
4. Will it be ***BENEFICIAL*** to all concerned?

A FORWARD STEP FOR THE CONSUMER

Educating drug shoppers

The best the Minnesota Legislature was able to do for consumers of prescription drugs last year was pass a law requiring the posting of the prices of the 60 most common drugs. The law has been helpful, to be sure, but not much. The required list covers only a small percentage of drug sales in the state, and consumers still have difficulty getting the information they need for comparison shopping—information they are able to obtain on nearly every other commodity they buy.

But shoppers are getting some new help from the Walgreen Co. The chain is putting into its 21 Minnesota stores easy-to-use books showing the prices of more than 10,000 prescription items. The books contain both brand-name and generic drugs, listed alphabetically, along with the prices for commonly prescribed doses. In addition, the price of any drug not listed will be given to any shopper who asks for it, either in person or by phone.

The Walgreen price lists are educational in more ways than one. First, they enable a shopper to have a prescription filled where it's cheapest by helping him or her compare prices. And, by listing drugs under generic as well as brand names, they point out the often dramatic differences in prices between name-brand drugs and their exact generic equivalents. In some instances, the price differences might raise some questions in the minds of consumers whose doctors have prescribed brand-name drugs—questions they might want to ask their doctors.

"People should be able to shop for prescriptions by price, just like any other commodities," said a Walgreen spokesman. We agree—and we hope that Walgreen's example brings other drug sellers around to that viewpoint.

—editorial in the *Minneapolis Tribune*, July 12, 1974

Newspapers, television, radio—in city after city nationwide—carried the good consumer news of Walgreens Prescription Price Books, reiterating

the resoundingly favorable comments of consumer groups; of governmental and health care spokesmen; and of our openly grateful customers.